LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7054
BILL NUMBER: HB 1316

DATE PREPARED: Feb 5, 2002
BILL AMENDED: Feb 4, 2002

SUBJECT: Public Improvement Areas.

FISCAL ANALYST: Bob Sigalow
PHONE NUMBER: 232-9859

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) The bill authorizes counties, cities, and towns to establish public improvement areas for the purpose of imposing assessments against real property to provide funding for infrastructure. It establishes procedures for hearings on the establishment of a special service area and for computation of assessments against real property. The bill establishes procedures for objecting to the establishment of the area or the initial computation of assessments. It also provides that money raised by the assessments may be used to pay debt service on bonds or lease rentals under leases.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) Under the proposal, public improvement areas (PIA) could provide roads, streets, sidewalks, curbs, alleys, common areas, parking areas, lighting, electrical signals, landscaping, sewers, and waterworks in residential developments. The unit that creates the PIA would have the authority to negotiate construction of the infrastructure.

The legislative body of a county, city, or town may hold a hearing on the establishment of a PIA on it's own motion. The legislative body would also be required to hold a hearing upon petition of at least 51% of the real property owners in the proposed PIA. Conversely, a petition that opposes establishment of a PIA may be filed after the public hearing. The proceedings must be terminated if at least 51% of the real property owners in the proposed PIA sign the petition opposing the PIA.

If the PIA is approved, all property within the area would be considered as benefitting from the infrastructure improvements. As such, a special benefits tax could be levied upon each property. The amount of the assessment would have to bear a reasonable relationship to the benefits received. Assessments could be apportioned on any of the following bases:

Assessed or market value of the parcel;
Assessed or market value of improvements on the parcel;
Size of the parcel;
Size of the improvements;
Other similar factors.

A PIA assessment would become a lien against the property. The assessment would be added to the property tax bill for the property, and proceeds would be distributed to the taxing unit at the same time as property taxes are distributed.

The bill would allow the unit to issue bonds and enter into leases. However, the debt incurred on behalf of the PIA would not be considered as obligations of the unit for purposes of the Constitutional 2% debt limitation. Obligations would be payable solely from the special assessment or other money legally available for that purpose. Lease terms could not exceed 50 years.

This bill would allow increased tax payments for additional infrastructure in public improvement areas if at least 51% of the taxpayers do not object. The actual fiscal impact depends on local action, namely the number of PIAs approved and the level of spending for each area.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Counties; Cities; and Towns.

Information Sources: